

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

PA-02 PRS-01 USIA-15 ABF-01 FSE-00 /107 W

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R 111537Z APR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9329

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 05884

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 10)

REF.: BONN 887

1. DEUTSCHE BANK PROPOSES TO LIMIT VOTING RIGHTS OF ITS STOCKHOLDERS: THE BOARD OF DIRECTORS AND MANAGEMENT OF THE DEUTSCHE BANK WILL SEEK APPROVAL AT THE BANK'S MAY 23 ANNUAL MEETING TO LIMIT THE VOTING RIGHTS OF ANY INDIVIDUAL STOCKHOLDER, IRRESPECTIVE OF TOTAL HOLDINGS, TO A MAXIMUM OF 5 PERCENT OF THE BANK'S CAPITAL STOCK. AT THE SAME TIME APPROVAL WILL BE UNCLASSIFIED

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SOUGHT TO RAISE THE BANK'S CAPITAL BY DM 180

MILLION TO DM 900 MILLION. THE VOTING RIGHT LIMITATION IS APPARENTLY BEING PROPOSED AS A PRECAUTIONARY MOVE TO PREVENT POSSIBLE FOREIGN CONTROL OF THE BANK. THE OTHER TWO MAJOR BANKS IN GERMANY HAVE NOT YET ANNOUNCED WHETHER THEY WILL PROPOSE SIMILAR VOTING RIGHT LIMITATIONS FOR THEIR STOCKHOLDERS.

2. REDUCTION IN INTEREST RATES ON FEDERAL SAVINGS BONDS: IN REACTION TO A RECENT DECLINE IN BOND YIELDS THE FEDERAL GOVERNMENT HAS REDUCED INTEREST RATES ON NEWLY ISSUED FEDERAL SAVINGS BONDS. EFFECTIVE APRIL 16 THE YIELD TO MATURITY OF SAVINGS BONDS OF TYPE A (ANNUAL INTEREST PAYMENTS, MATURITY 6 YEARS) WILL BE 7.71 PERCENT (PREVIOUSLY 8.04 PERCENT) AND THAT OF TYPE B BONDS (ACCUMULATED INTEREST, MATURITY 7 YEARS) 7.99 PERCENT (PREVIOUSLY 8.35 PERCENT).

3. MONEY MARKET: THE GERMAN MONEY MARKET EASED DURING THE FIRST PART OF THE WEEK BUT TIGHTENED LATER ON. THE CALL MONEY RATE REMAINED BELOW THE 5 PERCENT RE-DISCOUNT RATE. DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

APR 4	2.0-2.5	4.0-4.5	4.5-5.0
7	2.0-2.3	4.0-4.3	4.4-4.7
8	3.5-4.0	4.0-4.5	4.5-4.9
9	4.4-4.7	4.2-4.5	4.6-5.0
10	3.5-4.0	4.0-4.4	4.5-4.8

4. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

FORWARD DOLLARS
(DISCOUNTS IN PCT.P.A.)

SPOT DOLLARS ONE-MONTH THREE-MONTH

APR 4	DM 2.3675	-3.3	-3.0
7	2.3700	-2.8	-3.0

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8	2.3677	-2.8	-2.9
9	2.3610	-2.3	-2.9
10	2.3785	-2.5	-2.9

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK WEAKENED CONSIDERABLY ON APRIL 4 WITH ALL FLOAT CURRENCIES (EXCEPT THE DANISH CROWN) APPROACHING THEIR UPPER DEUTSCHEMARK INTERVENTION POINTS. HOWEVER, NO INTERVENTIONS BY

CENTRAL BANKS WERE REPORTED.

5. MONETARY RESERVES: IN THE LAST WEEK OF MARCH (MARCH 24-31) BUNDESBANK MONETARY RESERVES REMAINED UNCHANGED AT DM 86.2 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 68 MILLION AND GERMANY'S IMF GOLD TRANCHE

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PA-02 PRS-01 USIA-15 ABF-01 FSE-00 /107 W

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R 111537Z APR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9330

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

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USMISSION EC BRUSSELS

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AMCONSUL FRANKFURT

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POSITION BY DM 29 MILLION WHILE GROSS LIABILITIES DECLINED BY ABOUT DM 100 MILLION.

6. BANK LIQUIDITY: IN THE LAST WEEK OF MARCH BANK LIQUIDITY INCREASED BY DM 1.0 BILLION. THE PRINCIPAL FACTOR

INCREASING LIQUIDITY WAS THE USUAL DECLINE AT THE END OF A MONTH IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK (DM 3.3 BILLION). OTHER, NON-SPECIFIED FACTORS INCREASED LIQUIDITY FURTHER BY DM 2.8 BILLION. LIQUIDITY WAS REDUCED BY THE USUAL DECLINE IN CURRENCY IN CIRCULATION AT THE END OF A MONTH (DM 4.2 BILLION) AND AN INCREASE IN THE BANK'S HOLDINGS OF RESERVES AT THE BUNDESBANK (DM 0.9 BILLION). THE BANKS USED THE IN-UNCLASSIFIED

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CREASED LIQUIDITY TO REDUCE REDISCOUNT BORROWINGS AT THE BUNDESBANK.

7. BOND MARKET: DURING THE REPORTING WEEK THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

APR 4	9.12	9.22	8.76
7	9.12	9.21	8.73
8	9.09	9.18	8.71
9	9.09	9.15	8.67
10	9.06	9.12	8.67

ON APRIL 9 THE CITY OF BREMEN FLOATED A DM 200 MILLION LOAN CARRYING THE SAME CONDITIONS AS THE LAST FEDERAL LOAN OFFERED ON APRIL 1 (COUPON 8 1/2 PERCENT, ISSUE PRICE 98 1/2, MATURITY 8 YEARS NON-CALLABLE, YIELD TO MATURITY 8.77 PERCENT). ON APRIL 4 THE NIPPON KOKAN KABUSHIKI KAISHA OFFERED A DM 100 MILLION LOAN (COUPON 9 PERCENT, ISSUE PRICE 99 1/2). OTHER FOREIGN DM LOANS EXPECTED ON THE GERMAN MARKETS ARE LOANS OF DM 100 MILLION EACH OF THE COMPANY FRANCAISE DE PETROL AND THE DUTCH UNILEVER CONCERN, AND OF THE OESTERREICHISCHE ELEKTRIZITAETSWIRTSCHAFTS-AG.

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